

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Economic Development Corporation - City of Flint	County Genesee
Audit Date June 30, 2003	Opinion Date October 28, 2003	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

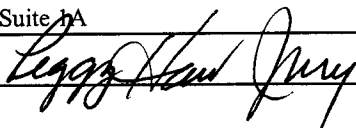
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1-968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 E. Court Street, Suite 1A	City Flint	State MI	ZIP 48502
Accountant Signature 		Peggy Haw Jury, CPA	

Financial Statements
Economic Development Corporation
of the City of Flint
Flint, Michigan
June 30, 2003
with *Independent Auditors' Report*

**Economic Development Corporation
of the City of Flint
June 30, 2003**

Board of Directors

Flint City Administrator, Darnell Early

President and Chairman

Mr. William Shedd

Vice President and Assistant Treasurer

Mr. Marshall Sanders

Treasurer and Assistant Secretary

Ms. Jean Conyers

Secretary

Ms. Donna Dodds Hamm

Mr. Lawrence Ford

Flint City Councilman, Johnnie Coleman

Flint City Councilman, Matthew Schlinher

**Economic Development Corporation
of the City of Flint
for the Fiscal Year Ended June 30, 2003**

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Independent Auditors' Report

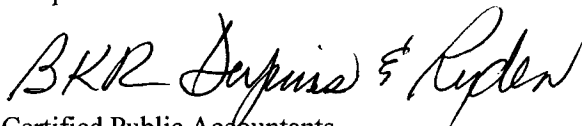
Board of Directors
Economic Development Corporation
of the City of Flint
Flint, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Economic Development Corporation of the City of Flint, a component unit of the City of Flint, as of and for the year ended June 30, 2003, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Flint Economic Development Corporation, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the budgetary comparison information on pages 2 through 6 and 28 through 29, respectively are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.



Certified Public Accountants
Flint Office

October 28, 2003

**Economic Development Corporation
of the City of Flint
Management's Discussion and Analysis**

As management of the Economic Development Corporation (EDC), we offer readers of the EDC financial statements this narrative overview and analysis of the financial activities. This section of the City of Flint EDC's annual financial report presents our discussion and analysis of the EDC's financial performance during the fiscal year that ended on June 30, 2003. Please read it in conjunction with the EDC's financial statements, which follow this section.

Financial Highlights

- The EDC total net assets at June 30, 2003 decreased by \$66,735 to \$1,561,340 from the June 30, 2002's total net assets of \$1,643,724. There was a prior period adjustment to net assets to recognize \$15,649 of additional expenses which reduced net assets from \$1,643,724 to \$1,628,075 for the year ended June 30, 2002.
- A positive unrestricted balance in the Governmental Funds of \$60,885 is an improvement over the prior year's balance of \$6,463.
- A total of \$717,082 is restricted in the EDC for future economic development activity which is an increase of \$118,340 over the prior restricted balance of \$598,742.

Overview of the Financial Statements

This annual report consists of two parts: 1) management's discussion and analysis (this section) and 2) the basic financial statements. The basic financial statements (part 2) include two kinds of statements that present different views of the EDC:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the EDC's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Economic Development Corporation, reporting the EDC's operations in more detail than the government-wide statements.

The EDC has two types of fund financial statements:

- Governmental fund statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the EDC operates like businesses.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Table 1 summarizes the major features of the EDC's financial statements and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1 Major Features of the Economic Development Corporation's
Government-wide and Fund Financial Statements
Fund Statements**

<u>Type of Statements</u>	<u>Government-wide</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire EDC	The activities of the EDC that are not proprietary	Activities the EDC operates similar to private businesses.
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in fund net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Economic Development Corporation as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the EDC's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the EDC's net assets and how they have changed. Net assets – the difference between the EDC's assets and liabilities – is one way to measure the EDC's financial health or position. Over time, increases or decreases in the EDC's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Economic Development Corporation, you need to consider additional non-financial factors such as changes in the EDC's percentage of occupied offices, and the condition of EDC's buildings.

The government-wide financial statements of the EDC are divided into two categories:

- Governmental activities – EDC's basic services for economic development are included here. Grants and administrative fees finance most of these activities.
- Business-type activities – The EDC leases office space to customers and obtains income to help cover the costs of the services it provides. The EDC's Oak Business Center is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the EDC's most significant funds – not the EDC as a whole. Funds are accounting devices that the EDC uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law but the EDC can establish other funds to control and manage money for particular purposes for example, to show that it is properly using certain grants.

The EDC has two kinds of funds:

- Governmental funds – Most of the EDC's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the EDC's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them. The EDC has three governmental funds, the General Operations Fund, the State Revolving Loan Fund (RLF), and the Business Assistance Program (BAP) Fund.
- Proprietary funds – Services for which the EDC charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the EDC's enterprise fund (one type of proprietary fund) is the same as its business-type activities, but provide more detail and additional information, such as cash flows. The EDC's enterprise fund is commonly referred to as the Oak Business Center.

Analysis of Government-wide Financial Statements

The government-wide financial analysis focuses on the first two statements in the report, which are the Statement of Net Assets, and the Statement of Activities. The EDC's total assets at June 30, 2003 and 2002 were \$2,041,616 and \$2,261,573, respectively, which includes net fixed assets of \$692,969 and \$744,761, respectively; liabilities of \$480,226 and \$633,498, respectively, and net assets for all funds of \$1,561,340 and \$1,628,075, respectively. At the close of the most recent fiscal year, net assets decreased by \$66,735 from last year's net assets. Of the \$1,561,340 and \$1,628,075, respectively, of net assets, \$692,969, (44%) and \$744,761, (46%) is invested in fixed assets (e.g. land, buildings, and equipment). There is no debt related to the fixed assets.

Total EDC expenses of \$272,814 exceeded total program revenues of \$183,059, resulting in a net expense of \$89,755. General revenues of \$23,020 in interest reduced the overall decrease in net assets to \$66,735.

Analysis of Governmental Funds Financial Statements

Governmental Funds, (everything but Oak Business Center), are reported in the third and fourth statements in the report, which are the Balance Sheet, and Statement of Revenues, Expenditures, and Changes in Fund Balances. As stated previously, the EDC has three governmental funds, General Operations, State Revolving Loan Fund (RLF) and the Business Assistance Program (BAP). Two of three funds continue to have fund balances. The BAP fund balance is zero. The entire fund equity of \$717,082 in the State RLF is reserved for economic development activity.

Revenues of \$84,560 in the Governmental Funds, is a decrease in revenues from the prior year of \$257,343. Key elements in the revenue decrease were \$65,218 in grant revenue, a decrease in the contribution from the primary government of \$89,240, and a \$102,885 decrease in miscellaneous revenue. During the current year, \$9,558 in administrative fees were earned by the Governmental Operating fund that had not been earned in the prior year.

Analysis of Proprietary Fund Financial Statements

The Proprietary fund is reported in the fifth, sixth and seventh statements of the annual report which are the Statement of Net Assets, Statements of Revenue, Expenses, and Changes in Fund Net Assets, and the Statement of Cash Flow. The Proprietary fund records the activity of the Oak Business Center. The net assets of the Oak Business Center are \$726,892 which decreased by \$131,968 from the prior year. Fixed assets of \$692,969 make up 95% of the Oak Business Center net assets.

The Oak Business Center recorded a \$131,968 net loss in the current year, an increase of \$1,154 over the prior year's net loss. The largest portion of the difference from the prior year is the reduction in interest income.

Governmental Activities

Expenses:

- The cost of all *governmental* activities for June 30, 2003 and 2002 was \$38,493 and \$209,929, respectively.
- Of the total cost for June 30, 2003 and 2002, \$9,558 and \$87,725, respectively, was paid by those who directly benefited from the programs.
- Other governments subsidized certain programs for June 30, 2003 and 2002 with grants totaling \$75,000 and \$65,218, respectively.

Business-Type Activities

Revenues of the EDC's business-type activities increased 17% to \$96,001. Expenses also increased 4 percent to \$234,321. Factors contributing to the increase in expenses included the increase in repairs and maintenance, professional services, and a decrease in bad debt expense.

Financial Analysis of the Economic Development Corporation's Funds

As the EDC completed the year, its governmental funds reported a *combined* fund balance of \$777,967, \$60,762 higher than last year. Included in this year's total change in fund balance, however, is a transfer of \$75,000 from the City's general fund.

Bond Ratings

Moody's has rated the City of Flint's general obligation, unlimited tax rating at Ba3, and has rated limited tax debt at B1.

At year-end the EDC did not have any bonds and notes outstanding.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City of Flint is currently 14.8% which is an increase from a rate of 14.4% a year ago.

Contacting the EDC's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the EDC's finances and to demonstrate the EDC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Flint's Finance Department, 1101 South Saginaw Street, Flint, MI 48502.

**Economic Development Corporation
of the City of Flint
Statement of Net Assets
June 30, 2003
With Comparative for the Year Ended June 30, 2002**

	Primary Government			
			Totals	
	Governmental Activities	Business-type Activities	2003	2002
Assets				
Cash and cash equivalents	\$ 138,652	\$ 200	\$ 138,852	\$ 487,344
Cash held with agent	421,348	60,591	481,939	-
Investments	498,492	-	498,492	588,133
Receivables:				
Other	-	-	-	32,088
Loans	52,010	-	52,010	129,524
Leases (net of allowance - 2003-\$96,328 and 2002-\$88,505)	-	8,643	8,643	4,137
Accrued interest	4,471	-	4,471	2,500
Due from primary government	164,240	-	164,240	273,086
Fixed assets (net of accumulated depreciation)	-	692,969	692,969	744,761
Total assets	\$ 1,279,213	\$ 762,403	\$ 2,041,616	\$2,261,573
Liabilities				
Liabilities:				
Accounts payable	\$ 9,013	\$ 4,853	\$ 13,866	\$ 96,594
Deposits payable	-	22,005	22,005	22,005
Due to primary government	435,752	-	435,752	508,522
Restricted liabilities - deposits payable	-	8,653	8,653	6,377
Total liabilities	444,765	35,511	480,276	633,498
Net Assets:				
Invested in capital assets	-	692,969	692,969	744,761
Restricted for economic development	773,563	-	773,563	762,752
Unrestricted (deficit)	60,885	33,923	94,808	120,562
Total net assets	834,448	726,892	1,561,340	1,628,075
Total liabilities and net assets	\$ 1,279,213	\$ 762,403	\$ 2,041,616	\$2,261,573

See notes to financial statements.

**Economic Development Corporation
of the City of Flint
Statement of Activities
For the Year Ended June 30, 2003**

Functions\Programs	Program revenues		Net Expense and Changes in Net Assets			
			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government						
Governmental activities:						
Economic development	\$ 38,493	\$ 9,558	\$ 75,000	\$ 46,065	\$ -	\$ 46,065
Total governmental activities	38,493	9,558	75,000	46,065	-	46,065
Business-type activities						
Economic development	234,321	96,001	2,500	-	(135,820)	(135,820)
Total business-type activities	234,321	96,001	2,500	-	(135,820)	(135,820)
Total primary government	\$ 272,814	\$ 105,559	\$ 77,500	46,065	(135,820)	(89,755)

General revenues:			
Interest	19,168	3,852	23,020
Total general revenues	19,168	3,852	23,020
Change in net assets	65,233	(131,968)	(66,735)
Net assets - beginning, as reported	769,215	858,860	1,628,075
Net assets - ending	\$ 834,448	\$ 726,892	\$ 1,561,340

See notes to financial statements.

**Economic Development Corporation
of the City of Flint
Balance Sheet
Governmental Funds
For the Years Ended June 30, 2003 and 2002**

	Governmental Fund Types			Totals	
	General Operations	Special Revenue State RLF	Special Revenue BAP	2003	2002
Assets					
Cash and cash equivalents	\$ -	\$ 135,497	\$ 3,155	\$ 138,652	\$ 264,957
Cash held with agent	157,476	112,000	151,872	421,348	-
Investments	490	469,585	28,417	498,492	588,133
Receivables:					
Grant/other	-	-	-	-	32,088
Contracts	-	52,010	-	52,010	129,524
Accrued interest	-	4,471	-	4,471	2,500
Due from other funds	-	-	-	-	112,000
Due from primary government	164,240	-	-	164,240	273,086
Total assets	\$ 322,206	\$ 773,563	\$ 183,444	\$ 1,279,213	\$ 1,402,288
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 9,013	\$ -	\$ -	\$ 9,013	\$ 12,551
Due to other funds	-	-	-	-	112,000
Due to primary governments	252,308	-	183,444	435,752	508,522
Deferred revenue	-	56,481	-	56,481	52,010
Total liabilities	261,321	56,481	183,444	501,246	685,083
Fund balances:					
Reserved for economic development activity	-	717,082	-	717,082	598,742
Reserved for long term interfund receivable	-	-	-	-	112,000
Unreserved - undesignated	60,885	-	-	60,885	6,463
Total fund balances	60,885	717,082	-	777,967	717,205
Total liabilities and fund balances	\$ 322,206	\$ 773,563	\$ 183,444		\$ 1,402,288

Amounts reported for governmental activities in the statement of net assets are different because:

Long term receivables are not available to pay for current expenditures, and therefore, are deferred in the funds

56,481

Net assets of governmental activities (page 7)

\$ 834,448

See notes to financial statements.

**Economic Development Corporation
of the City of Flint
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2003**

	General Operations	Special Revenue State RLF	Special Revenue BAP	Totals	
				2003	2002
Revenues:					
Grant	\$ -	\$ -	\$ -	\$ -	\$ 65,218
Interest	2	6,414	8,281	14,697	18,468
Bond issuance fees	-	-	-	-	32,088
Administrative fees	9,558	-	-	9,558	55,637
Contributions from primary government	75,000	-	-	75,000	164,240
Miscellaneous	-	-	-	-	31,312
Total revenues	84,560	6,414	8,281	99,255	366,963
Expenditures:					
Current - economic development					
Professional services	21,922	-	-	21,922	162,281
Supplies	-	-	-	-	289
Printing	-	-	-	-	8,188
Accounting and legal	1,743	-	-	1,743	32,270
Staff training	-	-	-	-	2,891
Bank fees	-	74	-	74	10
Loans	-	-	-	-	52,010
Miscellaneous	10	-	14,744	14,754	4,000
Total expenditures	23,675	74	14,744	38,493	261,939
Excess (deficiency) of revenues over expenditures	60,885	6,340	(6,463)	60,762	105,024
Fund balance - beginning of year	-	710,742	6,463	717,205	612,181
Fund balance - end of year	\$ 60,885	\$ 717,082	\$ - 0 -	\$ 777,967	\$ 717,205

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 60,762
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	<u>4,471</u>
Change in net assets of governmental activities (page 8)	<u><u>\$ 65,233</u></u>

See notes to financial statements.

**Economic Development Corporation
of the City of Flint
Statement of Net Assets
Oak Business Center - Proprietary Fund
For the Years Ended June 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	\$ 200	\$ 222,387
Cash held with agent	60,591	-
Receivables:		
Leases (net of allowance - 2003-\$96,328 and 2002-\$88,505)	8,643	4,137
Fixed assets (net of accumulated depreciation)	<u>692,969</u>	<u>744,761</u>
Total assets	<u>\$ 762,403</u>	<u>\$ 971,285</u>
Liabilities		
Liabilities:		
Accounts payable	\$ 4,853	\$ 84,043
Fire deposit payable	22,005	22,005
Deposits payable	<u>8,653</u>	<u>6,377</u>
Total liabilities	<u>35,511</u>	<u>112,425</u>
Net Assets:		
Invested in capital assets	692,969	744,761
Restricted for capital improvements	-	207,299
Unrestricted (deficit)	<u>33,923</u>	<u>(93,200)</u>
Total net assets	<u>726,892</u>	<u>858,860</u>
Total liabilities and net assets	<u>\$ 762,403</u>	<u>\$ 971,285</u>

See notes to financial statements.

**Economic Development Corporation
of the City of Flint
Statements of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund Type (Enterprise Fund) - Oak Business Center
For the Years Ended June 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Lease income	\$ 95,294	\$ 74,413
Miscellaneous income	707	7,597
	<u>96,001</u>	<u>82,010</u>
Total operating revenues		
Operating expenses:		
Utilities	39,936	35,121
Repairs and maintenance	27,028	12,268
Telephone	5,349	4,301
Depreciation	54,307	50,089
Management contract	60,888	67,025
Insurance	25,914	26,853
Office supplies	1,049	4,887
Bad debt expense	7,823	21,605
Equipment rental	1,794	2,406
Miscellaneous	-	34
Professional services	10,233	1,225
	<u>234,321</u>	<u>225,814</u>
Total operating expenses		
Operating loss	(138,320)	(143,804)
Nonoperating revenues:		
Interest income	3,852	12,990
Transfer from primary government	2,500	-
	<u>(131,968)</u>	<u>(130,814)</u>
Net loss before transfers		
Decrease in net assets	(131,968)	(130,814)
Net assets - beginning of year, as restated	<u>858,860</u>	<u>989,674</u>
Net assets - end of year	<u>\$ 726,892</u>	<u>\$ 858,860</u>

See notes to financial statements.

**Economic Development Corporation
of the City of Flint
Statement of Cash Flows
Proprietary Fund Type (Enterprise Fund) - Oak Business Center
For the Years Ended June 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
Cash flow from operating activities:		
Receipts from customers	\$ 82,965	\$ 110,456
Miscellaneous receipts	707	7,597
Payments to suppliers	<u>(249,105)</u>	<u>(139,618)</u>
Net cash used by operating activities	<u>(165,433)</u>	<u>(21,565)</u>
Cash flow from noncapital financing activities:		
Transfer from primary government	<u>2,500</u>	<u>-</u>
Cash flow from capital activities:		
Purchase of capital assets	<u>(2,515)</u>	<u>(298,647)</u>
Cash flows from investing activities:		
Interest received	<u>3,852</u>	<u>12,990</u>
Net decrease in cash and equivalents	<u>(161,596)</u>	<u>(307,222)</u>
Cash and equivalent balances at beginning of year	<u>222,387</u>	<u>529,609</u>
Cash and equivalent balances at end of year	<u><u>\$ 60,791</u></u>	<u><u>\$ 222,387</u></u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (138,320)	\$ (143,804)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	54,307	50,089
Changes in assets and liabilities:		
Receivables, net	(4,506)	32,698
Prepays	-	3,345
Accounts payable	(79,190)	46,315
Deposits	<u>2,276</u>	<u>(10,208)</u>
Net cash used by operating activities	<u><u>\$ (165,433)</u></u>	<u><u>\$ (21,565)</u></u>

See notes to financial statements.

**Economic Development Corporation
of the City of Flint
Notes to Financial Statements
June 30, 2003**

I. Summary of significant accounting policies

The accounting policies of the EDC conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

A. Reporting Entity:

The Economic Development Corporation of the City of Flint (EDC) was incorporated on June 14, 1978, under the provision of Act 338 of the Public Acts of 1974, as amended, for the following purposes: to alleviate and prevent conditions of unemployment, to assist and retain local industries and commercial enterprises, to strengthen and revitalize the economy of the State of Michigan and particularly the City of Flint, to provide the means and methods for encouragement and assistance of industrial and commercial enterprises in locating and expanding in the State of Michigan and particularly in the City of Flint, and to encourage the relocation and expansion of commercial enterprises to more conveniently provide needed services and facilities to the commercial enterprises, to the City of Flint and residents thereof.

One means of accomplishing these purposes is through the use of lease contracts with commercial and industrial enterprises (see Note VIII. D). According to the terms of the lease contracts, the EDC agrees to issue revenue bonds, the proceeds from which will be used to finance a project benefiting the commercial or industrial enterprise, and the enterprise agrees to make lease payments equal to the bond principal and interest payments. The revenue bonds are payable solely from the net revenues derived from the project, and the bonds are collateralized by a mortgage on the project and the lease contract. Since each bond issued by the EDC is payable solely from the net revenues derived from the related project through lease payments, and since the bonds are not a general obligation of the EDC, the bonds and related lease contracts have not been reflected in the financial statements of the EDC.

Scope of reporting entity:

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Economic Development Corporation of the City of Flint and its component units, entities for which the EDC is financially accountable. The EDC is considered a "component unit" of the City of Flint's governmental operation. As a result, governmental reporting standards require the City to include the financial activities of the EDC in the city's Annual Financial Report. The Annual Financial Report of the City of Flint is available for public inspection at City Hall.

The EDC assists the City of Flint's Department of Community Development in administering various revolving loan fund programs. However, since the EDC does not control the bank accounts of these programs, the transactions are not reported in the financial statements of the EDC, but rather in the City's financial statements.

Brownfield Redevelopment Authority component unit:

On July 28, 1997, the City Council of the City of Flint created the Brownfield Redevelopment Authority (Authority). The Authority was established to be under the supervision and control of a Board consisting of the board of directors of the Economic Development Corporation of the City of Flint. The Authority has the powers and duties to the full extent as provided by and in accordance with Act 381 of the Public

**Economic Development Corporation
of the City of Flint
Notes to Financial Statements
June 30, 2003**

I. Summary of significant accounting policies - (continued)

A. Reporting Entity: - (continued)

Brownfield Redevelopment Authority component unit: - (continued)

Acts of the State of Michigan of 1996. The Authority was also responsible for creating a Brownfield plan for the Brownfield Redevelopment Zone. The duration of the plan is thirty years. The Brownfield Authority is considered a component unit of the EDC and is reported within this financial statement. The Authority has not had any financial activity since its inception.

The director of the Authority is to be a City staff person acting as agent for the Brownfield Redevelopment Authority and is covered under the City's insurance and bonding policy.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Economic Development Corporation
of the City of Flint
Notes to Financial Statements
June 30, 2003**

I. Summary of significant accounting policies - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The EDC reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

State Revolving Loan Fund – This special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The fund currently accounts for state revolving loan grant funds held to provide loans to small businesses.

Business Assistance Program Fund – This special revenue fund is used to account for the proceeds of specific revenue sources that are legally restricted to making and monitoring loans. The original monies to start this fund came from the City of Flint.

The EDC reports the following major proprietary fund:

Oak Business Center – This fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The Oak Business Center Enterprise Fund is a small business incubator facility which leases commercial and light industrial space to new businesses.

Proprietary Funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The EDC has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Economic Development Corporation
of the City of Flint
Notes to Financial Statements
June 30, 2003**

I. Summary of significant accounting policies - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Corporation's enterprise fund are charges to customers for leased space. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits

The EDC's cash and cash equivalents are considered to be cash on hand, saving deposits, and certificates of deposit with original maturities of three months or less from the date of acquisition. The carrying amount of deposits is separately displayed on the financial statements as "cash and cash equivalents".

2. Cash held with agents

The City of Flint is the acting fiscal agent for EDC. During 2003, funds were transferred to accounts held in the City's name.

3. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the *fiscal* year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Activity between the EDC and the City of Flint that are representative of lending/borrowing arrangements outstanding at the end of the *fiscal* year are referred to as either "due to/from the primary government (City of Flint).

All trade receivables, including those for Oak Business Center tenants, are shown net of an allowance for uncollectibles. Trade accounts receivable for non-current tenants and current tenants over 90 days comprise the trade accounts receivable allowance for uncollectibles of \$96,328.

**Economic Development Corporation
of the City of Flint
Notes to Financial Statements
June 30, 2003**

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and net assets or equity - (continued)

4. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the EDC is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
Building improvements	20
Office equipment	5
Computer equipment	5

5. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

6. Comparative data/reclassifications

Comparative total data for the prior year have been presented for all governmental funds and proprietary funds.

E. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, however, management believes any such difference would not be material to the financial statements taken as a whole.

**Economic Development Corporation
of the City of Flint
Notes to Financial Statements
June 30, 2003**

II. Reconciliation of government-wide and fund financial statements

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets.

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities.

III. Stewardship, compliance, and accountability

Budgetary information:

Annual budgets were adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. State law requires that a budget be adopted annually for the general and special revenue funds. The City of Flint's emergency financial manager enacted a budget on a total fund basis during the year. The budget was not formally adopted by the EDC Board.

The following individual funds incurred expenditures in excess of appropriations:

	<u>Final Budget</u>	<u>Actual</u>	Actual Over Final Budget
State RFL Fund	\$ -	\$ 74	\$ 74
BAP Funds	-	14,744	14,744

IV. Detail notes on all funds

- A. Deposits and investments

The balance of the Corporation's deposits consists of various checking, savings accounts, and certificates of deposits. The following is a makeup of those accounts:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (SIPC)	\$470,075	\$469,775
Insured (FDIC)	22,168	228,417
Uninsured, uncollateralized	145,101	145,101
Total	<u>\$637,344</u>	<u>\$843,293</u>

**Economic Development Corporation
of the City of Flint
Notes to Financial Statements
June 30, 2003**

IV. Detail notes on all funds – (continued)

A. Deposits and investments – (continued)

The difference between the bank and book balances at June 30, 2003, is due to outstanding checks that have not yet cleared the bank.

The amount of deposits at June 30, 2003, is reflected on the balance sheet of the Corporation as follows:

Cash and cash equivalents	\$138,852
Investments	<u>498,492</u>
	<u><u>\$637,344</u></u>

Investments:

State statutes authorize the EDC to invest in obligations of the U.S. Treasury and U.S. agencies where the principal and interest are fully guaranteed by the United States, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds comprised of the above authorized investments. The EDC Board has adopted the above as its investment policy. Also, the Board has approved Citizens Bank as its authorized depository.

Certificates of deposits which have a term of greater than 90 days have been classified as investments on the balance sheet.

B. Receivables

1. Business Assistance Program - revolving loan fund

The EDC has a special revenue fund to account for the \$210,000 in funds provided by the City of Flint for the Business Assistance Program. This program was established to allow the EDC to pursue its goals and objectives in expanding and stimulating business development and expansion within the City of Flint. All repayment proceeds (principal) are due back to the City at the termination of the program.

2. Loans receivable - Business Assistance Program and State Revolving Loan Fund

The following is a summary of outstanding EDC Business Assistance Program Revolving Fund and State Revolving Loan Fund loans at June 30, 2003:

Loan Date	Original Loan	Payments Received Prior Periods	Principal Payments Received 6-30-03	Written off as Uncol- lectible	Balance at 6-30-03	Terms
11/06/87	\$ 20,000	\$ 17,486	\$ -	\$ 2,514	\$ -	10% -5 years
03/11/02	52,010	-	-	-	52,010	8.75% - 10 years
02/04/02	75,000	-	-	75,000	-	10% - 1 year
Total	<u>\$147,010</u>	<u>\$ 17,486</u>	<u>\$ -0-</u>	<u>\$ 77,514</u>	<u>\$ 52,010</u>	

**Economic Development Corporation
of the City of Flint
Notes to Financial Statements
June 30, 2003**

IV. Detail notes on all funds

B. Receivables – (continued)

2. Loans receivable - Business Assistance Program and State Revolving Loan Fund – (continued)

The \$75,000 is a loan guarantee to Standard Federal Bank on behalf of Flint Sports Connection, Inc. (Recipient). The Recipient shall meet the Lenders terms and conditions so as to cause the assets that secure the debt to be unencumbered by the Lender no later than April 4, 2003. Interest is due from the Recipient at 10% or \$625 per month starting March 1, 2003. To the date of this report, no interest has been paid by the recipient to the EDC. The recipient has since ceased operations and an allowance has been recorded for the loan receivable and accrued interest due to the uncertainty of collection.

C. Capital assets

Capital asset activity for the year ended June 30, 2003 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business type activities:				
Capital assets, not being depreciated:				
Land	\$ 93,860	\$ -	\$ -	\$ 93,860
Total capital assets, not being depreciated	93,860	-	-	93,860
Capital assets, being depreciated:				
Buildings	514,782	2,515	-	517,297
Improvements other than buildings	649,917	-	-	649,917
Machinery and equipment	17,046	-	-	17,046
Total capital assets being depreciated	1,181,745	2,515	-	1,184,260
Less accumulated depreciation for:				
Buildings	344,518	24,323	-	368,841
Improvements other than buildings	172,626	28,057	-	200,683
Machinery and equipment	13,700	1,927	-	15,627
Total accumulated depreciation	530,844	54,307	-	585,151
Total capital assets, being depreciated, net	650,901	(51,792)	-	599,109
Proprietary activities capital assets, net	\$ 744,761	\$ (51,792)	\$ -0-	\$ 692,969

Fixed assets purchased through TIFA funds:

During the year ending June 30, 1989, the Tax Increment Finance Authority (TIFA) of the City of Flint contributed \$760,000 to the EDC to enable the EDC to purchase the Oak Business Center, a small business incubator facility. TIFA contributed an additional \$343,642 during the years ended June 30, 1991 through 2000 for capital improvements to the Oak Business Center. The EDC is managing the facility and is accounting for its operations in the Oak Business Center Enterprise Fund.

There are no capital assets used for governmental activities.

**Economic Development Corporation
of the City of Flint
Notes to Financial Statements
June 30, 2003**

IV. Detail notes on all funds – (continued)

D. Interfund receivables, payables, and transfers

Due to/from primary government (City of Flint) and component units (EDC) at June 30, 2003 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - Public Improvement Fund	Component unit - General Fund	\$252,308
Primary government - Revolving Loan Fund	Component unit - Business Assistance Program (BAP)	<u>256,214</u>
		<u>\$508,522</u>
Component Unit - General Fund	Primary Unit - General Fund	\$164,240

V. Other information

A. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. The Corporation did not receive any grant funding in 2003, but grants expanded prior to the current year are still subject to grantor compliance monitoring. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

B. Risk management

The EDC is exposed to various risks of loss to property loss, and torts. The EDC has purchased commercial insurance for tort claims and certain property damage and theft. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

C. Contributed material and services

Effective May 13, 2003, the City of Flint and Economic Development Corporation of the City of Flint approved an agreement with the Flint – Genesee Growth Alliance to provide administrative support services to the EDC at no charge to the EDC. The contract may be terminated by either the EDC or the Flint – Genesee Growth Alliance by giving the other party thirty days written notice of such termination.

The City of Flint also provides administrative services to the EDC, acting as its fiscal agent.

**Economic Development Corporation
of the City of Flint
Notes to Financial Statements
June 30, 2003**

V. Other information – (continued)

C. Contributed material and services – (continued)

No amounts have been reflected in the statements for contributed materials or services as no objective basis is available to measure the value of such goods and services.

D. Lease contracts and bonds:

As of June 30, 2003, the Corporation had issued thirty-one bonding projects, as described in Note 1. Following are details of each bond issue:

Project: Parking Ramp

Amount of issue: \$4,000,000

Date of issue: June 1979

Rate and terms: 8.5%; 30 years

Project: Electronics Firm

Amount of issue: \$525,000

Date of issue: November 26, 1980

Rate and terms: 9 3/4% ceiling - 6% floor actual rate,
floats at 2/3 of prime rate; 15 years

Project: Bowling Center

Amount of issue: \$1,200,000

Date of issue: December 1, 1980

Rate and terms: 9%; 15 years

Project: Industrial Lift Trucks

Amount of issue: \$900,000

Date of issue: December 16, 1980

Rate and terms: 9 1/4%; 20 years

Project: Plumbing Supply Firm

Amount of issue: \$450,000

Date of issue: March 30, 1981

Rate and terms: 65% of prime; 15 years

**Economic Development Corporation
of the City of Flint
Notes to Financial Statements
June 30, 2003**

V. Other information – (continued)

D. Lease contracts and bonds: - (continued)

Project: Retail Mall

Amount of issue: \$645,000

Date of issue: May 18, 1981

Rate and terms: 8.5%; 14 years

Project: Office Development Center

Amount of issue: \$550,000

Date of issue: July 7, 1981

Rate and terms: 8.5%; 20 years

Project: Realty Office Construction

Amount of issue: \$360,000

Date of issue: November 20, 1981

Rate and terms: 13%; 25 years

Project: Plumbing Supply Firm

Amount of issue: \$100,000

Date of issue: March 30, 1981

Rate and terms: 65% of prime; 5 years

Project: Office Development Center

Amount of issue: \$200,000

Date of issue: July 7, 1981

Rate and terms: 8.5%, 10 years

Project: Nursing Home

Amount of issue: \$3,600,000

Date of issue: December 1, 1982

Rate and terms: 12 1/2%; 28 years

Project: Medical Clinic

Amount of issue: \$550,000

Date of issue: November 1, 1982

Rate and terms: 11%; 20 years

Project: Investment Company

Amount of issue: \$330,000

Date of issue: October 1, 1983

Rate and terms: 66 2/3% of prime; 14 years

**Economic Development Corporation
of the City of Flint
Notes to Financial Statements
June 30, 2003**

V. Other information – (continued)

D. Lease contracts and bonds: - (continued)

Project: Accounting Firm
Amount of issue: \$230,000
Date of issue: December 1, 1983
Rate and terms: 75% of prime; 20 years

Project: Plumbing Supply Wholesaler
Amount of issue: \$500,000
Date of issue: December 12, 1983
Rate and terms: 11%; 12 years

Project: Oil Processing
Amount of issue: \$2,000,000
Date of issue: December 1, 1983
Rate and terms: 75% of prime; 14 years

Project: Manufacturing
Amount of issue: \$5,500,000
Date of issue: December 1, 1983
Rate and terms: 95% of prime; 10 years

Project: Accounting Firm
Amount of issue: \$270,000
Date of issue: December 1, 1983
Rate and terms: 75% of prime; 7 years

Project: Manufacturing
Amount of issue: \$1,000,000
Date of issue: October 1, 1984
Rate and terms: 68% of prime; 3 years
70% of prime; 3 years
72% of prime; 5 years

Project: Retail and Office Development
Amount of issue: \$900,000
Date of issue: November 29, 1985
Rate and terms: Greater of 85% of prime or 7%; 10 years

Project: Manufacturing
Amount of issue: \$1,132,000
Date of issue: July 1, 1986
Rate and terms: 80% of prime; 20 years

**Economic Development Corporation
of the City of Flint
Notes to Financial Statements
June 30, 2003**

V. Other information – (continued)

D. Lease contracts and bonds: - (continued)

Project: Health Care Facilities
Amount of issue: \$804,000
Date of issue: December 31, 1988
Rate and terms: 66% of (prime + 1)
+ .3 percentage points; 20 years

Project: Health Care Facilities
Amount of issue: \$2,100,000
Date of issue: December 31, 1988
Rate and terms: 66% of (prime +1)
+ .3 percentage points; 7 years

Project: Counseling Facilities
Amount of issue: \$1,950,000
Date of issue: December 31, 1988
Rate and terms: 66% of (prime + 1)
+ .3 percentage points; 20 years

Project: Health Care Facilities
Amount of issue: \$2,945,210
Date of issue: August 1, 1993
Rate and terms: 66% of prime
+ 30 basis points, 10 years

Project: Manufacturing
Amount of issue: \$1,975,000
Date of issue: December 1, 1993
Rate and terms: Variable (lower floater pricing); 15 years

Project: Educational Facility
Amount of issue: \$7,000,000
Date of issue: July 1, 1994
Rate and terms: 75% of Bond Buyer Revenue
Bond index rate; 20 years

Project: Educational Facility
Amount of issue: \$2,500,000
Date of issue: February 1, 1997
Rate and terms: 75% of Bond Buyer Revenue
Bond index rate; 20 years

**Economic Development Corporation
of the City of Flint
Notes to Financial Statements
June 30, 2003**

V. Other information – (continued)

D. Lease contracts and bonds: - (continued)

Project: Manufacturing
Amount of issue: \$2,800,000
Date of issue: September 27, 1997
Rate and terms: Variable; 9 years

Project: Manufacturing
Amount of issue: \$7,500,000
Date of issue: December 1, 1998
Rate and terms: Variable

Project: Health Care Facilities
Amount of issue: \$12,835,000
Date of issue: August 15, 2001
Rate and terms: Variable, \$245,000 in 2008
balance 2022

E. EDC designation:

The City of Flint has designated the EDC as the City's agent for purposes of managing, preserving, enhancing, and marketing all of the unoccupied commercial and industrial properties owned by the City so that said properties may be managed, preserved, enhanced, and marketed by the EDC for use in commercial and industrial projects.

A separate Revolving Building Fund is to be established to be used to account for the funds raised by the sale of any such properties. No sales or property resulting in proceeds to the EDC have occurred since the designation. Since the fund is inactive, it has not been reported in the financial statements.

F. Net asset restatement

The net asset balance of the Oak Business Center at June 30, 2002 has been restated to correct an error. The adjustment reflects expenses that should have been recognized at June 30, 2003.

Fund balance at June 30, 2002, as previously reported	\$874,509
Adjustment to recognize expense	<u>(15,649)</u>
Fund balance at June 30, 2002, as restated	<u><u>\$858,860</u></u>

Required Supplementary Information

**Economic Development Corporation
of the City of Flint
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2003**

General Operations				
	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Interest	\$ -	\$ -	\$ 2	\$ 2
Administrative fee	-	-	9,558	9,558
Total revenues	-	-	9,560	9,560
Expenditures:				
Current - economic development				
Professional services	-	60,707	21,922	38,785
Accounting and legal	-	14,293	1,743	12,550
Bank fees	-	-	-	-
Miscellaneous	-	-	10	(10)
Bad debt expense	-	-	-	-
Total expenditures	-	75,000	23,675	51,325
Excess (deficiency) of revenues over expenditures	-	(75,000)	(14,115)	60,885
Other financing sources:				
Contributions from primary government	-	75,000	75,000	-
Net change in fund balances	-	-	60,885	60,885
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ - 0 -	\$ - 0 -	\$ 60,885	\$ 60,885

See notes to financial statements.

Special Revenue - State RLF				Special Revenue - BAP			
Budget		Actual	Variance Favorable (Unfavorable)	Budget		Actual	Variance Favorable (Unfavorable)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	91	6,414	6,323	-	93	8,281	8,188
-	91	6,414	6,323	-	93	8,281	8,188
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	74	(74)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	14,744	(14,744)
-	-	74	(74)	-	-	14,744	(14,744)
-	91	6,340	6,249	-	93	(6,463)	(6,556)
-	-	-	-	-	-	-	-
-	91	6,340	6,249	-	93	(6,463)	(6,556)
710,742	710,742	710,742	-	6,463	6,463	6,463	-
\$ 710,742	\$ 710,833	\$ 717,082	\$ 6,249	\$ 6,463	\$ 6,556	\$ - 0 -	\$ (6,556)

October 28, 2003

Board of Directors
Economic Development Corporation
of the City of Flint
Flint, Michigan

We have audited the basic financial statements of the Economic Development Corporation of the City of Flint (the EDC) for the year ended June 30, 2003, and have issued our report thereon dated October 28, 2003. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the EDC are described in Note 1 to the financial statements.

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements for 2003 were:

- The calculation of bad debt reserves for rent receivable at Oak Business Center.
- The estimated useful lives and the annual depreciation expense for fixed assets owned by the Oak Business Center Enterprise Fund.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the EDC that could potentially cause future financial statements to be materially misstated. We noted no transactions that were not recorded properly which were significant and unusual.

Other significant adjustments made during the audit included the reversal of previous year's accounts payable, the accrual of current accounts payable and the adjustment of a certificate of deposit to a loan receivable and the offset of security deposits payable against rent receivables. The adjustments noted above were material to the current financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreement arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the EDC's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the EDC's auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Controls

In planning and performing our audit of the basic financial statements of EDC for the year ended June 30, 2003, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider

to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect EDC's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

As a part of our review of internal controls, we review our prior year comments and recommendations to determine the progress made during the current fiscal year in correcting the situation noted.

Prior Year Comments

Adoption of Budget

The EDC did not adopt a budget for the General Fund and the Special Revenue Fund for the year ended June 30, 2002 as required by State law. No budgets were adopted for June 30, 2003 either. We did note that a budget was adopted for 2004. However, the detail of the budget as to revenues and expenses was not included in the minutes. The detail of the budget by fund needs to be included in the minutes.

Use of State Revolving Loan Fund Restricted Resources

To meet operating cash needs, the General Fund borrowed through June 30, 2002, \$112,000 from the State Revolving Loan Fund (SRLF). All funds borrowed by the General Fund from the SRLF were repaid by June 30, 2003.

Financial Reporting to the Board

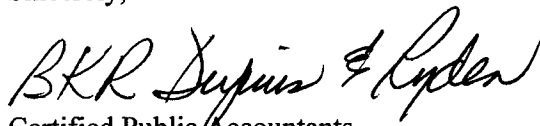
During our review of the minutes for fiscal 2003, we once again could not locate any references that the Board was presented monthly or quarterly financial information. To ensure that the Board is aware of the financial activities and condition of the various funds, we would recommend that the Board receive and approve interim financial reports on at least a quarterly basis. We would strongly suggest that such reports be received on a monthly basis and that the report package includes a balance sheet and a revenue and expenditure budget to actual analysis for each EDC fund.

Board of Directors
Economic Development Corporation
of the City of Flint
October 28, 2003
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This report is intended solely for the information and use of management, the Board of Directors, the City of Flint, the State of Michigan, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

We express our appreciation for the assistance given to us during the course of the audit by EDC management and the employees of the City of Flint who participate in the operations of the EDC. Should you have any questions concerning our recommendations, please contact us.

Sincerely,

A handwritten signature in cursive script, appearing to read "BKR Dupuis & Ryden".

Certified Public Accountants
Flint Office